

Message Text

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PAGE 01 BRASIL 05556 281305Z

41

ACTION ARA-20

INFO OCT-01 ADP-00 SCI-06 HEW-08 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 OTPE-00

FCC-03 OC-06 CCO-00 IO-13 PC-04 RSR-01 /192 W

----- 071575

R 281050Z AUG 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9389

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMCONSUL RECIFE

UNCLAS BRASILIA 5556

E. O. 11652: N/A

TAGS: EGEN, ETEL, BR

SUBJECT: GOB ACTIONS IN BUSINESS SECTOR - COMMUNICATIONS AND
MEDICINES

1. SUMMARY AND INTRODUCTION: THE GOB HAS RECENTLY ISSUED
TWO DECREES AFFECTING COMMUNICATIONS AND PRODUCTION OF MEDICINES.
THE DECREES ARE GENERAL IN NATURE BUT SEEK TO DEFINE THE
GOVERNMENT ROLE IN THESE PARTICULAR SECTORS. THERE HAS BEEN
SOME PRESS PLAY THAT THESE MEASURES REFLECT TREND TOWARD
GREATER NATIONALISM. END SUMMARY.

2. AFTER STATING THAT THE DECREE SHOULD NOT BE INTERPRETED
AS A GOB DESIRE TO NATIONALIZE OR INTERFERE WITH FOREIGN
ENTERPRISES DOING BUSINESS IN BRAZIL, COMMUNICATIONS
MINISTER HYGINO CORSETTI SIGNED DECREE NUMBER 591 REGULATING
THE RELATIONSHIP BETWEEN THE GOVERNMENT, COMMUNICATIONS
SERVICE ENTERPRISES AND COMMUNICATION EQUIPMENT MANUFACTURERS.,
ACCORDING TO THE MINISTER, THE DECREE IS IMPORTANT BECAUSE THE
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PAGE 02 BRASIL 05556 281305Z

GOVERNMENT IS ENGAGED IN THE DIFFICULT TASK OF INCREASING

THE NUMBER OF TELEPHONES IN BRAZIL BY 4 MILLION BEFORE 1980.

3. THE MAJOR POINTS OF THE DECREE ARE:

- A) COMMUNICATIONS SERVICE ENTERPRISES SHOULD OBTAIN EQUIPMENT FROM MORE THAN ONE MANUFACTURER;
- B) TELEBRAS WILL PREPARE A 5-YEAR NATIONAL PLAN FOR THE COMMUNICATIONS SECTOR, AND WILL SEEK TO REDUCE REGIONAL INEQUALITIES IN FACILITIES AND PROVIDE COMPANIES WITH DATA ON GOVERNMENT NEEDS;
- C) TELECOMMUNICATION SERVICE ENTERPRISES WILL BE ALLOWED TO PLACE DIRECT ORDERS WITH MANUFACTURERS, BUT ONLY UNDER THE COORDINATION AND SUPERVISION OF TELEBRAS;
- D) TELEBRAS WILL BE RESPONSIBLE, UNDER THE CONTROL OF THE MINISTRY OF COMMUNICATIONS FOR PROVIDING THE NECESSARY MECHANISMS TO ASSURE THAT EQUIPMENT IS CONTAINED AT PRICES CONFORMING TO THE GOVERNMENT'S PRICE CONTROL POLICY;
- E) WHENEVER THE PERIOD FOR DELIVER OF DOMESTICALLY PRODUCED EQUIPMENT MAY LEAD TO NON-COMPLIANCE WITH TARGETS SET FOR ITS NATIONAL TELECOMMUNICATIONS SYSTEM EXPANSION AND WHENEVER THE PRICES CHARGED FOR DOMESTIC EQUIPMENT ARE BEYOND ACCEPTABLE PRICES, A CERTAIN AMOUNT OF THE EQUIPMENT MAY BE BOUGHT ABROAD;
- F) TELEBRAS WILL PROPOSE, AND THE MINISTRY OF COMMUNICATIONS WILL DECIDE WHICH SHARE EACH MANUFACTURER SHOULD HAVE IN GOVERNMENT EQUIPMENT ORDERS, ACCORDING TO EACH COMPANY'S PRODUCTION, ABILITY TO SET AND TEST THE EQUIPMENT, REGULARITY OF MAINTENANCE SERVICES AND QUALITY IMPROVEMENTS PROVIDED;
- G) THE MINISTRY WILL NOT INCREASE THE SHARE IN GOVERNMENT EQUIPMENT ORDERS FOR THOSE MANUFACTURERS WHO INCREASE THEIR PRODUCTION WITHOUT PROPER COORDINATION WITH THE MINISTRY'S PLANS;
- H) IT WILL BE CONSIDERED OF NATIONAL INTEREST FOR TELEBRAS TO SHARE IN THE CAPITAL OF THE COMPANIES MANUFACTURING COMMUNICATIONS EQUIPMENT IN BRAZIL.

4. THE DECREE NUMBER 72552 CONCERNING MEDICINES ALSO PROVIDE GENERAL PRINCIPLES FOR GOVERNMENT OPERATIONS AND ASSIGNS PRIMARY CONTROL TO THE CENTRAL DE MEDICAMENTOS (CEME) AND TO OTHER GOVERNMENT AGENCIES.

5. THE MAJOR GENERAL PURPOSES OF THE DECREE ARE DESCRIBED AS FOLLOWS:

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PAGE 03 BRASIL 05556 281305Z

- A) TO STRENGTHEN THE GOVERNMENT NETWORK OF PRODUCTION OF MEDICINES;
- B) TO STRENGTHEN THE GOVERNMENT SYSTEM OF QUALITY CONTROL OF MEDICAL PRODUCTION AND SALES;
- C) TO INCREASE AND DIVERSIFY THE OFFICIAL SUPPLY OF DRUGS MADE BY GOVERNMENT COMPANIES;
- D) TO HELP DEVELOP APPLIED SCIENTIFIC AND TECHNOLOGICAL RESEARCH IN THE DRUG AREA;

E) TO SUPPORT BRAZILIAN CHEMICAL AND DRUG COMPANIES.

6. IN CONNECTION WITH SUPPORT FOR NATIONAL COMPANIES, DECREE STATES:

A) GOVERNMENT SHOULD CONTROL FOREIGN INVESTMENTS WHICH SUBSTITUTE FOR NATIONAL INVESTMENTS;

B) STUDIES SHOULD BE CONDUCTED FOR FISCAL INCENTIVES TO ELIMINATE OLIGOPOLISTIC PRACTICES BY FOREIGN SUBSIDIARIES IN THE SUPPLY OF INPUTS TO THE CHEMICAL AND DRUG INDUSTRIES.

C) PREFERENTIAL MECHANISMS SHOULD BE DEVELOPED TO PROVIDE OFFICIAL CREDITS AND INCENTIVE POLICIES FOR MODERNIZATION.

7. AP FILED DESPATCH THIS WEEK ON NEW TELECOMMUNICATIONS AND DRUG INDUSTRY INDUSTRY DECREES. DESPATCH REPORTEDLY CLAIMED BOTH MEASURES REFLECT TREND TOWARD GREATER NATIONALISM. AS REGARDS TELECOMMUNICATIONS, IT STATED PRIVATE COMPANY OFFICIALS WERE PUBLICLY DOWNGRADING IMPORTANCE OF MEASURE, BUT PRIVATELY WERE SERIOUSLY CONCERNED ABOUT ITS IMPLICATIONS. ANOTHER WIRE SERVICE STORY ALLEGED THAT ITS STEP REFLECTS FUTURE, MORE NATIONALISTIC POLICY THAT WILL CHARACTERIZE NEXT ADMINISTRATION. AT SAME TIME, HOWEVER, IT SUPPOSEDLY QUALIFIES ITS COMMENTS BY STATING THAT POLICY WILL NOT REACH NATIONALISTIC PITCH EVIDENT IN SEVERAL OTHER SOUTH AMERICAN COUNTRIES. REPORT IN DIARIO DE NOTICIAS OF RIO ON AUGUST 23 REPORTS THAT ERICSON OFFICIALS, DURING PUBLIC ANNOUNCEMENT OF PLANS FOR NEW FACTORY IN MINAS GERAIS, OPENLY INDICATED THEIR CONCERN OVER TELEBRAS' AUTHORITY TO BUY INTO PRIVATE FIRMS. ERICSON'S CONCERN REPORTEDLY BASED UPON SUPPOSITION THAT NEXT ADMINISTRATION WILL BE EXCESSIVELY STATIST ORIENTED.

8. BUSINESS REACTIONS AND EMBASSY COMMENTS FOLLOW SEPTTEL. CRIMMINS

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PAGE 04 BRASIL 05556 281305Z

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